

## Message Text

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ORIGIN AID-59

INFO OCT-01 EA-11 ISO-00 H-03 IGA-02 ABF-01 OMB-01 TRSE-00

AGR-20 EB-11 L-03 SS-20 PM-07 NSC-10 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

ORM-03 SR-02 /188 R

DRAFTED BY SA/C:GKAMENS:REF

APPROVED BY AA/SA:RHNOOTER

SA/TD:DGOODWIN (DRAFT)

DAA/SA:GZIMMERLY

EA/LC:JMURPHY (DRAFT)

SA/PPB:CHBREECHER (DRAFT)

DESIRED DISTRIBUTION

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TO AMEMBASSY PHNOM PENH PRIORITY

C O N F I D E N T I A L STATE 248515

E.O.11652:GDS

TAGS: EAID, CB, EFIN

SUBJECT: USE OF COUNTERPART FOR VOLAGS AND OTHER REFUGEE  
ACTIVITIES

REFS: A. PHNOM PENH 13808

B. STATE 241791

C. STATE 245463

1. APPRECIATE DIFFICULTIES RAISED REF. B. NONETHELESS,  
BASED ON CURRENT AND ANTICIPATED CONGRESSIONAL ACTIONS (SEE  
REF. C), IPR FUNDS WILL UNDOUBTEDLY BE CONSIDERABLY BELOW  
OVERALL AID NEEDS FOR INDOCHINA. DOLLARS USED BY VOLAGS TO  
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PURCHASE RIELS FROM USDO REDUCE FUNDING AVAILABILITIES FOR

CIP AND OTHER AID ACTIVITIES. MOREOVER, USE OF SUCH MONIES FOR CIP WOULD, TO A SIGNIFICANT EXTENT, GENERATE ADDITIONAL COUNTERPART WHICH COULD BE USED FOR VOLAG ACTIVITIES. VOLAG LOCAL CURRENCY EXPENDITURES (FROM COUNTERPART OR FROM USDO PURCHASES) DO NOT REPRESENT ANY NET ADDITIONAL RESOURCE FLOW TO CAMBODIA. USE OF COUNTERPART FUNDS FOR VOLAG AND POSSIBLY OTHER REFUGEE ACTIVITIES WOULD ALLOW SWITCH OF DOLLARS TO CIP, WHICH IN EFFECT INCREASES U.S. RESOURCE FLOW TO CAMBODIA.

2. PL 480 AGREED TO SO FAR THIS YEAR WILL GENERATE FAR

MORE LOCAL CURRENCY FOR MILITARY BUDGET THAN WAS CONTEMPLATED AT START OF FY 1974. IN ANY EVENT, USG IS NOT COMMITTED TO ANY SPECIFIC AMOUNT OF BUDGET SUPPORT FOR GKR. WHILE WE APPRECIATE PROBLEMS CAUSED BY ANOTHER GKR SUPPLEMENTAL BUDGET, CHOICE APPEARS TO BE BETWEEN SHOULDERING THOSE PROBLEMS AND NOT HAVING UPWARDS OF 2.5 MILLION DOLS AVAILABLE TO MEET PORTION OF YOUR REMAINING CIP NEEDS FOR BALANCE OF FY 1974.

3. WE THEREFORE REQUEST THAT YOU ENTER INTO NEGOTIATIONS WITH THE GKR TO INSURE THAT SUFFICIENT CIP GENERATED LOCAL CURRENCIES ARE BUDGETED FOR THE LOCAL CURRENCY REQUIREMENTS FOR BOTH THE VOLUNTARY AGENCIES AND OUR OWN DIRECT HIRE EFFORT IN THE REFUGEE AREA. THIS MUST BE DONE AS SOON AS POSSIBLE SINCE CRS WILL DEplete THEIR FUNDS BY THE END OF THIS MONTH. IN ORDER TO AVOID THIS AND GIVE THE MISSION ADDITIONAL TIME FOR NEGOTIATIONS, WE ARE PROVIDING IN DOLLARS 300,000 OF THE 1.75 MILLION REQUESTED BY CRS. THESE FUNDS SHOULD PERMIT UNINTERRUPTED CRS ACTIVITIES AT LEAST THROUGH JANUARY 31, 1974. THUS BREAKOUT OF LOCAL CURRENCY AND DOLLAR COSTS ONLY REQUIRED FOR REMAINING FIVE MONTHS OF FISCAL YEAR. PLEASE ADVISE US SOONEST THE RESULTS OF YOUR NEGOTIATIONS AND THE DOLLAR AND RIEL REQUIREMENTS FOR CRS UNTIL JUNE 30, 1974. RUSH

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